Approved For Release 2010/05/19 : CIA-RDP89-00066R000200040023-4

federally employed women • an organization for opportunity & equality for women in government
(202) 638-4404 • 1010 vermont avenue, northwest, washington, d.c. 20005

TESTIMONY

OF

FEDERALLY EMPLOYED WOMEN

BEFORE

SENATE GOVERNMENT AFFAIRS COMMITTEE

ON

THE DEVELOPMENT OF A SUPPLEMENTAL CIVIL SERVICE

RETIREMENT SYSTEM

SEPTEMBER 10, 1985

Approved For Release 2010/05/19 : CIA-RDP89-00066R000200040023-4

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SENATOR ROTH, THANK YOU FOR ASKING FEDERALLY EMPLOYED WOMEN TO TESTIFY HERE TODAY. FEDERALLY EMPLOYED WOMEN (FEW) IS AN INTERNATIONAL MEMBERSHIP ORGANIZATION REPRESENTING WOMEN IN THE FEDERAL GOVERNMENT THROUGHOUT THE UNITED STATES AND FOREIGN NATIONS. FEW IS A PRIVATE, NON-PROFIT, NON-PARTISAN ORGANIZATION AND WAS FOUNDED IN 1968 TO ADVOCATE EQUAL OPPORTUNITY AND FOSTER FULL POTENTIAL FOR WORKING WOMEN IN THE FEDERAL SECTOR.

THE DEVELOPMENT OF A NEW CIVIL SERVICE RETIREMENT SYSTEM FOR FEDERAL WORKERS HIRED AFTER 1983 AND UNDER THE SOCIAL SECURITY SYSTEM IS AN ISSUE OF PRIME IMPORTANCE. WE APPLAUD THIS COMMITTEE FOR CONTINUING TO PURSUE THE DEVELOPMENT OF A NEW SUPPLEMENTAL RETIREMENT SYSTEM THAT WILL MEET EVERYONE'S NEEDS.

WOMEN EMPLOYED BY THE FEDERAL GOVERNMENT HAVE A VITAL INTEREST IN THE DEVELOPMENT OF THE SUPPLEMENTAL CIVIL SERVICE RETIREMENT SYSTEM. IN 1984, THERE WERE OVER 800,000 FEDERAL WOMEN WORKERS. WOMEN COMPRISED NEARLY HALF OF THE TOTAL FEDERAL WORKFORCE. MANY OF THESE WOMEN ARE DEPENDENT UPON THEIR RETIREMENT ANNUITY AS THEIR MAIN SOURCE OF INCOME DURING THEIR RETIREMENT YEARS. IN 1980, THIRTY-SIX PERCENT OF ALL SINGLE ELDERLY WOMEN RETIRED FROM THE FEDERAL SERVICE DEPENDED UPON THEIR GOVERNMENT PENSION FOR OVER 50 PERCENT OF THEIR TOTAL INCOME. THE RETIREMENT INCOME THAT WOMEN FEDERAL RETIREES DEPEND UPON IS USUALLY INADEQUATE TO LIVE ON COMFORTABLY. IN 1984, THE MEDIAN MONTHLY ANNUITY FOR RETIRED FEDERAL WOMEN

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WAS $740 AS COMPARED TO $1,081 FOR MEN. WOMEN RETIRED FROM THE GOVERNMENT RECEIVE LOWER ANNUAL ANNUITIES THAN THEIR MALE COUNTERPARTS IN LARGE PART BECAUSE FEMALE FEDERAL WORKERS ARE CONCENTRATED IN THE LOWEST PAYING GRADE LEVELS. SEVENTY-FIVE PERCENT OF ALL WOMEN WHO WORK FOR THE FEDERAL GOVERNMENT ARE IN GENERAL SCHEDULE (GS) GRADES ONE THROUGH EIGHT. THE MEDIAN WAGES FOR FEDERALLY EMPLOYED WOMEN IN THE GENERAL SCHEDULE CLASSIFICATION SYSTEM TOTALED $18,864 PER YEAR IN 1984. UNDER THE CURRENT RETIREMENT SYSTEM, WOMEN REPLACE, ON THE AVERAGE, 46.5 PERCENT OF THEIR FINAL PAY AS COMPARED TO 57.2 PERCENT FOR MEN. WHEN EXAMINING THE MEDIAN YEARS OF SERVICE FOR FEDERAL EMPLOYEES, HOWEVER, IT IS SHOWN THAT WOMEN'S COMMITMENT TO THE FEDERAL GOVERNMENT IS SIMILAR TO MEN EMPLOYED BY THE FEDERAL GOVERNMENT. THE MEDIAN YEARS OF SERVICE IN THE CIVILIAN FEDERAL WORKFORCE TOTALS 25.2 FOR WOMEN AS COMPARED TO 26.7 FOR MEN. FEDERAL WOMEN ALSO TEND TO RETIRE AT A LATER AGE THAN MEN IN ORDER TO GAIN FULL RETIREMENT BENEFITS. THEREFORE, WOMEN'S LOW RETIREMENT ANNUITIES CAN IN LARGE PART BE ATTRIBUTED TO THEIR LOW EARNINGS.

OLDER WOMEN ARE THE FASTEST GROWING POVERTY POPULATION IN OUR NATION. FEDERAL WOMEN RETIREES SHARE THE SAME BURDENS IN THEIR RETIREMENT YEARS AS ALL OTHER WOMEN. THE GREAT MAJORITY OF ELDERLY WOMEN LIVE ALONE, DEPEND ON THEIR RETIREMENT BENEFITS FOR THE MAJORITY OF THEIR INCOME, AND PAY INCREASING SHARES OF THAT INCOME FOR MEDICAL BILLS. IN 1983, 52 PERCENT OF ELDERLY WHITE SINGLE WOMEN AND 84 PERCENT OF ELDERLY BLACK SINGLE WOMEN LIVED AT OR NEAR THE POVERTY LEVEL. TODAY, WORKING FOR THE FEDERAL GOVERNMENT IS NO GUARANTEE THAT A FEDERAL WOMAN RETIREE WILL NOT JOIN THE INCREASING RANKS OF ELDERLY WOMEN LIVING IN POVERTY. WOMEN WHO DEVOTE THEIR WORKING LIVES TO THE CIVIL SERVICE SYSTEM MUST BE GUARANTEED A DECENT STANDARD

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OF LIVING UPON RETIREMENT.

THE PRESENT CIVIL SERVICE RETIREMENT SYSTEM

ALTHOUGH THE CURRENT CIVIL SERVICE RETIREMENT SYSTEM (CSRS) IS GENDER NEUTRAL, IT HAS A DISPARATE IMPACT UPON WOMEN. THE PRESENT SYSTEM REWARDS EMPLOYEES WITH HIGH EARNINGS AND LIFE-LONG FEDERAL CAREERS WITH HIGH RETIREMENT ANNUITIES. WOMEN WHO DO NOT OCCUPY HIGH PAYING OCCUPATIONS IN THE FEDERAL GOVERNMENT SUFFER UNDER THE CURRENT RETIREMENT SYSTEM. THE BENEFIT CALCULATION THAT AVERAGES THE THREE YEARS OF HIGHEST EARNINGS WITH AN INCREASED PERCENTAGE OF RETURN AS THE NUMBER OF YEARS OF SERVICE INCREASES AFFORDS WOMEN LITTLE OPPORTUNITY TO BUILD A SUBSTANTIAL RETIREMENT ANNUITY. ALTHOUGH THE QUESTION OF WOMEN'S CONCENTRATION IN THE LOWEST GRADE LEVELS AND RESULTING LOW WAGES IS ANOTHER CONCERN, IT MUST BE TAKEN INTO ACCOUNT WHEN LOOKING AT A RETIREMENT SYSTEM. THE NEW SUPPLEMENTAL RETIREMENT SYSTEM CAN NOT IGNORE THESE FACTS AND CONTINUE TO DISCRIMINATE AGAINST FEDERALLY EMPLOYED WOMEN. FEW URGES THIS COMMITTEE TO CLOSELY EXAMINE WOMEN'S CURRENT STATUS IN THE FEDERAL WORKFORCE WHEN DESIGNING THIS NEW SYSTEM.

BASIC STRUCTURE OF A NEW SUPPLEMENTAL CIVIL SERVICE RETIREMENT SYSTEM

FEW ENVISIONS A NEW RETIRMENT SYSTEM WITH EITHER TWO OR THREE LEVELS. THE BASIC ANNUITY WOULD CONSIST OF THE SOCIAL SECURITY BENEFIT WITH A DEFINED BENEFIT AS THE SECOND LEVEL AND POSSIBLY AN OPTIONAL CAPITAL ACCUMULATION PLAN AS THE THIRD LEVEL. FEW URGES THE IMPLEMENTATION OF A DEFINED BENEFIT PLAN AS THE SECOND LEVEL BENEFIT, RATHER THAN A DEFINED CONTRIBUTION PLAN, BECAUSE A DEFINED BENEFIT PLAN TARGETS A SET OF RETIREMENT ANNUITIES UNDER SPECIFIED CONDITIONS. THESE SPECIFIC BENEFITS

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ALLOW WORKERS TO BETTER PLAN FOR THEIR RETIREMENT YEARS. ALSO, A DEFINED BENEFIT PLAN EASES THE ADDITION OF SUPPLEMENTAL BENEFITS (I.E. DISABILITY AND SURVIVOR) AND CAN BE RETROACTIVE FOR EMPLOYEES HIRED PRIOR TO THE ENACTMENT OF THE PLAN. THIS LATTER ASPECT IS IMPORTANT BECAUSE THE FEDERAL WORKERS WHO WILL BE UNDER THE NEW SYSTEM ARE CURRENTLY ENTERING THE WORKFORCE. DEFINED CONTRIBUTION PLANS, ON THE OTHER HAND, ARE NOT USUALLY UTILIZED BY LARGE CORPORATIONS, BUT RATHER BY SMALL COMPANIES OR FOR SHORT SERVICE EMPLOYEES. DEFINED CONTRIBUTION PLANS ARE MORE RISKY AND DO NOT ALLOW WORKERS TO PLAN ADEQUATELY FOR THEIR RETIREMENT INCOME.

CAPITAL ACCUMULATION PLANS ARE BECOMING INCREASINGLY MORE POPULAR AMONG PRIVATE SECTOR COMPANIES. UNDER A TYPICAL 401 (k) THRIFT PLAN, EMPLOYEES CAN DEFER A PERCENTAGE OF THEIR YEARLY EARNINGS TO A RETIREMENT ACCOUNT. A RANGE OF OPTIONS EXIST ON EMPLOYER MATCHINGS OF THIS DEFERRED INCOME. RETIREMENT INCOME FROM A CAPITAL ACCUMULATION PLAN IS DIRECTLY RELATED TO ONE'S INVESTMENT PARTICIPATION. MANY WOMEN WOULD BE UNABLE TO TAKE ADVANTAGE OF A CAPITAL ACCUMULATION PLAN, DUE TO THEIR INABILITY TO DECREASE THEIR MODEST TAKE-HOME PAY, BUT SUCH A PLAN WOULD AFFORD HIGHER PAID EMPLOYEES THE OPTION OF HIGHER RETIREMENT BENEFITS WITH IMMEDIATE TAX SAVINGS.

THERE ARE CERTAIN COMPONENTS OF THE PRESENT CIVIL SERVICE RETIREMENT SYSTEM THAT SHOULD BE KEPT INTACT. FEW BELIEVES THAT THE CURRENT STRUCTURE OF FULL BENEFITS AT AGE 55 WITH 30 YEARS OF SERVICE SHOULD BE CONTINUED. MANY EMPLOYEES HAVE ENTERED THE FEDERAL SERVICE WITH THE UNDERSTANDING THAT THEY CAN EXERCISE THIS OPTION. ALTHOUGH WOMEN EMPLOYED BY THE FEDERAL GOVERNMENT CURRENTLY RETIRE LATER THAN THEIR MALE COUNTERPARTS,

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THEY SHOULD RETAIN THE OPTION OF RETIREMENT AT AGE 55. ALSO, AS WE SEE WOMEN'S LABOR FORCE ATTACHMENT GROW STRONGER AND MORE CONTINUOUS, IT IS LIKELY THAT MORE WOMEN WILL HAVE ENOUGH YEARS OF SERVICE TO RETIRE WITH FULL BENEFITS AT AGE 55. FEW WOULD ALSO LIKE TO SEE THE PRESENT COMPUTATION OF THE THREE YEARS OF HIGHEST EARNINGS FOR BENEFIT CALCULATIONS. PRESERVED. ALTHOUGH WOMEN HAVE A RELATIVELY FLAT EARNINGS PROFILE AS OPPOSED TO MALE WORKERS, WOMEN ARE BEGINNING TO MAKE INROADS INTO THE HIGHER PAYING GRADE LEVELS. BECAUSE THIS MOVEMENT IS RELATIVELY RECENT, EXPANDING THE COMPUTATION YEARS WILL ONLY SERVE TO LOWER WOMEN'S FINAL ANNUITY. AVERAGING LIFE LONG EARNINGS, AS IN THE SOCIAL SECURITY SYSTEM, WOULD DRASTICALLY LOWER THESE WOMEN'S RETIREMENT ANNUITIES. TO PROTECT RETIREMENT BENEFITS FROM INFLATION, COST OF LIVING ADJUSTMENTS (COLAS) MUST BE PAID ON AN ANNUAL BASIS. IF NO COLA PROVISION IS PROVIDED TO FEDERAL RETIREMENT BENEFITS, THE BENEFITS ARE QUICKLY ERODED AWAY AND THE PHILOSOPHY OF REPLACING A PERCENTAGE OF A RETIREE'S SALARY IS LOST. THE MEDIAN REPLACEMENT RATE FOR FEDERAL RETIRED WOMEN IS 46.5 PERCENT (BASED ON THE THREE YEARS OF HIGHEST EARNINGS). ANY REDUCTION IN THIS AMOUNT IS INADEQUATE TO LIVE ON. FOR EXAMPLE, AFTER 10 YEARS, WITH A 4 PERCENT INFLATION RAGE, A BENEFIT ONLY HAS TWO-THIRDS OF ITS ORIGINAL PURCHASING POWER. A WOMAN RETIRED FROM THE FEDERAL GOVERNMENT MUST BE ABLE TO KEEP HER PURCHASING POWER IN PACE WITH INFLATION.

ALTHOUGH WE CONTEND THAT CERTAIN PROVISIONS OF THE CURRENT CIVIL SERVICE RETIREMENT SYSTEM SHOULD BE PRESERVED AND IMPLEMENTED INTO THE SUPPLEMENTAL SYSTEM, WE WILL ALSO OFFER SOME SUGGESTIONS ON HOW TO CHANGE

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THE SYSTEM TO BETTER ACCOMMODATE FEDERAL WOMEN. AS PREVIOUSLY MENTIONED, THE PRESENT SYSTEM DOES NOT ADEQUATELY PROVIDE WOMEN RETIREES WITH A DECENT STANDARD OF LIVING. IF WE BASE THE SUPPLEMENTAL SYSTEM ON THE PRESENT CSRS, WOMEN WILL CONTINUE TO BE LOSERS. AT THE RETIREMENT HEARINGS HELD IN THE HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE ON APRIL 2, 1985, IT WAS STATED THAT FEDERAL EMPLOYEES HAD TO REACH THE GENERAL SCHEDULE GRADE NINE BEFORE THEY RECEIVED A FEDERAL ANNUITY AS LARGE AS THE SOCIAL SECURITY BENEFIT. BECAUSE MOST WOMEN ARE CONCENTRATED IN GRADES BELOW GENERAL SCHEDULE NINE, THEY ARE RECEIVING LOWER RETIREMENT ANNUITIES THAN THEIR PRIVATE SECTOR COUNTERPARTS.

SOCIAL SECURITY TILT

ALTHOUGH THE SOCIAL SECURITY SYSTEM IS NOT FREE FROM INEQUITIES FOR WOMEN, THE SOCIAL SECURITY TILT BUILT INTO THIS SYSTEM GUARANTEES LOW WAGE EARNERS A HIGHER REPLACEMENT RATE OF THIER EARNINGS UPON RETIREMENT THAN HIGH WAGE EARNERS. DUE TO THE FACT THAT WOMEN MAKE UP A LARGE PART OF THE LOW PAID LONG TERM FEDERAL EMPLOYEES,, FEW RECOMMENDS MAINTAINING THE SOCIAL SECURITY TILT BY SIMPLY ADDING ON THE SUPPLEMENTAL CIVIL SERVICE BENEFIT. THE HAY-HUGGINS COMPANY HAS REPORTED THAT THIS PROCEDURE WOULD BE SIMPLE TO ADMINISTER. THEY OFFER AN EXAMPLE OF A BENEFIT CALCULATION OF 1 PERCENT OF BASE PAY FOR EACH YEAR OF SERVICED ADDED TO THE SOCIAL SECURITY BENEFIT. THIS CALCULATION WOULD FULLY PRESERVE THE TILT INCORPORATED IN SOCIAL SECURITY BENEFITS. THIS SYSTEM IS USED BY SEVERAL STATE RETIREMENT PLANS. THE HAY GROUP ALSO POINTS OUT THAT UNDER THIS PLAN THERE WOULD BE LOSERS AND GAINERS. SHORT TERM, LOW-PAID EMPLOYEES AND MARRIED EMPLOYEES WOULD GAIN AS COMPARED TO THE PRESENT SYSTEM AND

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HIGH-PAID CAREER EMPLOYEES WOULD LOSE RELATIVE TO THE PRESENT SYSTEM. SOME OF THESE RESULTS COULD BE PARTIALLY OFFSET BY USING A BENEFIT CALCULATION THAT DOES NOT GIVE A STRAIGHT PERCENTAGE OF BASE PAY FOR EACH YEAR OF SERVICE, BUT RATHER INCREASES THE PERCENTAGE OF BASE PAY AS THE NUMBER OF YEARS OF SERVICE INCREASES (SIMILAR TO THE CURRENT SYSTEM'S PRESENT BENEFIT CALCULATION). USING THIS METHOD WOULD INCREASE THE REPLACEMENT RATE FOR THE HIGHER-EARNING LONG TERM EMPLOYEES. IN ADDITION, IF A CAPITAL ACCUMULATION PLAN WAS ADOPTED, IT IS LIKELY THAT HIGHER-EARNING EMPLOYEES WOULD BE MORE LIKELY TO PARTICIPATE AND FURTHER INCREASE THEIR REPLACEMENT RATE OF THEIR FINAL SALARY. THE CONGRESSIONAL RESEARCH SERVICE HAS PROVIDED A MODEL OF SUCH A SYSTEM THAT INCLUDES AN ADD-ON SUPPLEMENTAL BENEFIT AND A CAPITAL ACCUMULATION PLAN THAT ALLOWS A MAXIMUM 6 PERCENT EMPLOYEE CONTRIBUTION WITH A 3 PERCENT EMPLOYER MATCH. THE SOCIAL SECURITY TILT IS MAINTAINED FOR THE LOWER PAID EARNER, YET THE HIGHER PAID LONG TERM EMPLOYEE DOES NOT SUFFER. THE PRESIDENT'S COMMISSION ON PENSION POLICY REPORTED IN 1981 THAT 51 TO 86 PERCENT OF BEFORE TAX FINAL EARNINGS WAS NEEDED FOR RETIREES TO MAINTAIN A CONSTANT STANDARD OF LIVING UPON RETIREMENT IN 1980. THEY ALSO SHOWED THAT LOWER-EARNERS NEEDED A HIGHER REPLACEMENT RATE OF THEIR FINAL SALARY THAN HIGHER-EARNERS TO ACCOMPLISH A PRE-RETIREMENT STANDARD OF LIVING. BY MAINTAINING THE SOCIAL SECURITY TILT, PART OF THIS GOAL IS ACCOMPLISHED.

BY INTEGRATING THE SOCIAL SECURITY BENEFIT WITH A PENSION ANNUITY, THE LONG TERM LOW-PAID EMPLOYEE WILL RECEIVE A LOWER BENEFIT. A 100 PERCENT SOCIAL SECURITY OFFSET WOULD ELIMINATE THE TILT ALTOGETHER AND CONTINUE THE PHILOSOPHY OF THE PRESENT CIVIL SERVICE RETIREMENT SYSTEM

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OF PENALIZING THE LOW EARNER.

EMPLOYEE CONTRIBUTIONS

UNDER THE CURRENT SYSTEM, FEDERAL EMPLOYEES CONTRIBUTE 7 PERCENT OF THEIR INCOME TOWARD THEIR RETIREMENT BENEFIT. UNDER THE SOCIAL SECURITY SYSTEM, EMPLOYEES NOW CONTRIBUTE 5.7 PERCENT OF THEIR INCOME TOWARD THE SOCIAL SECURITY BENEFIT. FEW SUGGESTS THAT THE SUPPLEMENTAL RETIREMENT SYSTEM NOT REQUIRE AN EMPLOYEE CONTRIBUTION BEYOND THE SOCIAL SECURITY CONTRIBUTION. ACCORDING TO THE GOVERNMENT ACCOUNTING OFFICE (GAO), 93 PERCENT OF ALL WORKERS IN THE PRIVATE SECTOR DO NOT CONTRIBUTE TO THEIR RETIREMENT PLANS. FEW WOULD LIKE TO SEE THIS PRACTICE TRANSLATE INTO THE SUPPLEMENTAL RETIREMENT SYSTEM.

VESTING

WHEN DISCUSSING THE QUESTION OF VESTING PERIODS, IT IS IMPORTANT TO NOTE THAT MOST FEDERAL EMPLOYEES WHO LEAVE THE GOVERNMENT PRIOR TO TEN YEARS OF SERVICE ELECT TO REMOVE THEIR RETIREMENT MONEY RATHER THAN SELECT A DEFERRED ANNUITY. FOR THIS REASON, FEW WOULD SUPPORT EITHER A 5 YEAR OR A 10 YEAR VESTING PERIOD FOR THE SUPPLEMENTAL RETIREMENT SYSYEM IN ORDER FOR THE SYSTEM TO BE COMPATIBLE WITH SOCIAL SECURITY VESTING REQUIREMENTS. THE HAY GROUP HAS ESTIMATED THAT ONLY 1 PERCENT OF EMPLOYEES WOULD RECEIVE A BENEFIT UNDER A 5 YEAR VESTING PERIOD WHO WOULD NOT RECEIVE BENEFITS UNDER A 10 YEAR VESTING PERIOD.

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FUNDING

THE CIVIL SERVICE BENEFITS MUST BE PROTECTED FROM FLUCTUATIONS IN THE ECONOMY, CHANGING POLITICAL ATMOSPHERES, AND INFLATION. UNDER THE CURRENT RETIREMENT SYSTEM, FEDERAL AGENCIES MATCH THE EMPLOYEE'S CONTRIBUTION AND THE REMAINING FUNDS COME FROM THE FEDERAL TREASURY. FEW ENCOURAGES THE COMMITTEE TO SET UP A SYSTEM THAT BETTER SEGREGATES THE RETIREMENT FUNDS FROM OTHER TREASURY FUNDS. EACH AGENCY SHOULD BE REQUIRED TO SET ASIDE FUNDS FOR THIS PURPOSE IN A SIMILAR MANNER TO SEGREGATING FUNDS FOR SOCIAL SECURITY BENEFITS. YEARLY CONGRESSIONAL APPROPRIATIONS TO THE RETIREMENT FUND SHOULD BE ELIMINATED AND REPLACED BY A FUNDING FORMULA. IT IS THE ULTIMATE RESPONSIBILITY OF THE EMPLOYER TO ENSURE THAT RETIREMENT FUNDS ARE SOLVENT.

COSTS

A COST DECISION MUST BE MADE WHETHER TO APPROXIMATE BENEFIT LEVELS IN THE PRESENT CSRS OR RETIREMENT SYSTEMS IN THE PRIVATE SECTOR IN COMPARABLE COMPANIES. WE DO NOT FEEL THAT THE LEVEL OF BENEFITS AFFORDED FEDERAL EMPLOYEES SHOULD BE UNDULY HAMPERED BY STRICT COST CONSTRAINTS. DESIRED BENEFIT LEVELS SHOULD BE CALCULATED FOR COST AND ADJUSTED ACCORDING TO FUNDING CONSTRAINTS.

OLD EMPLOYEES

A DECISION MUST BE MADE ON HOW TO DEAL WITH FEDERAL EMPLOYEES HIRED PRIOR TO JANUARY 1, 1984. AS MANY OF THEM HAVE DEVOTED THE MAJORITY OF THEIR WORKING LIVES TO CIVIL SERVICE UNDER THE CURRENT CIVIL SERVICE RETIREMENT SYSTEM IT IS NECESSARY TO PRESERVE THE CURRENT SYSTEM AS IT IS UNTIL ALL OF

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THESE EMPLOYEES HAVE RETIRED. FEW WOULD, HOWEVER, ALSO SUGGEST OPENING THE NEW RETIREMENT SYSTEM TO EMPLOYEES HIRED PRIOR TO 1984 ALLOWING THEM THE OPTION OF PARTICIPATING IN THE NEW SYSTEM.

S. 1527

FEW COMMENDS THIS COMMITTEE FOR DILIGENTLY WORKING TOWARD A FAIR AND EQUITABLE RETIREMENT SYSTEM FOR FEDERAL EMPLOYESS AND INTRODUCING S. 1527. THERE ARE, HOWEVER, SEVERAL COMPONENTS IN THE PROPOSED LEGISLATION THAT WILL PROVIDE INADEQUATE RETIREMENT BENEFITS FOR A LARGE NUMBER OF WOMEN EMPLOYED BY THE FEDERAL GOVERNMENT. AS MENTIONED PREVIOUSLY, AVERAGING THE FIVE YEARS OF HIGHEST EARNINGS, PROVIDING A REDUCED COST-OF-LIVING-ADJUSTMENT, AND INCREASING THE RETIREMENT AGE WILL LOWER FEDERAL WOMEN'S RETIREMENT ANNUITIES DUE TO THE LOW EARNINGS WOMEN RECEIVE. ALTHOUGH WE SUPPORT THE CONCEPT OF A THRIFT PLAN, MANY WOMEN IN THE FEDERAL SERVICE WILL NOT BE ABLE TO EXERCISE THIS OPTION AND DEFER A PORTION OF THEIR EARNINGS AS THEY NEED THEIR INCOME TO SUPPORT THEMSELVES AND THEIR FAMILIES. WE LOOK FORWARD TO WORKING WITH THIS COMMITTEE ON DEVELOPING A RETIREMENT SYSTEM THAT PROVIDES EQUITABLE RETIREMENT ANNUITIES TO WOMEN EMPLOYED BY THE FEDERAL GOVERNMENT.

CONCLUSION

THE SUPPLEMENTAL CIVIL SERVICE RETIREMENT SYSTEM SHOULD MAINTAIN THE INTEGRITY OF A FEDERAL RETIREMENT SYSTEM AND PROVIDE ADEQUATE BENEFITS TO EMPLOYEES OF ALL INCOME LEVELS WHILE ATTRACTING A QUALIFIED FEDERAL WORKFORCE AND NOT PENALIZING LOW EARNERS. THIS TASK IS NO SMALL JOB.

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IN TODAY'S ATMOSPHERE OF CONSTANT ATTACKS ON FEDERAL WORKERS, IT IS EVEN MORE IMPORTANT THAT A NEW RETIREMENT SYSTEM BE DESIGNED THAT WILL REWARD HARD WORKING CIVIL SERVANTS AND ATTRACT TALENTED NEW EMPLOYEES. FEW URGES THIS COMMITTEE TO LOOK AT THE CURRENT STATUS OF WOMEN EMPLOYED BY THE FEDERAL GOVERNMENT AND TO INCORPORATE YOUR FINDINGS INTO A NEW SYSTEM THAT DOES NOT PENALIZE LOW WAGE EARNERS. WE WOULD SUGGEST TAKING CIVIL SERVICE WOMENS' EMPLOYMENT DATA AND INPUTING IT INTO A RETIREMENT COMPUTER MODEL TO DETERMINE HOW WOMEN WILL FARE UNDER THE VARIETY OF PROPOSED RETIREMENT SYSTEMS. EVEN THOUGH THERE IS A WEALTH OF EXCELLENT INFORMATION ON SUPPLEMENTAL CIVIL SERVICE RETIREMENT PLANS (I.E. GAO, CRS, HAY), THERE IS LITTLE DATA ON HOW THESE PROPOSALS WOULD IMPACT WOMEN RETIRED FROM THE FEDERAL GOVERNMENT. ALTHOUGH WOMEN ARE MOVING INTO HIGHER GRADE POSITIONS, THE FACT THAT MOST FEDERALLY EMPLOYED WOMEN ARE CONCENTRATED IN THE LOWEST GENERAL SCHEDULE GRADE LEVELS WILL NOT SUBSTANTIALLY CHANGE IN THE NEAR FUTURE. THESE HARD WORKING, DEVOTED FEDERAL EMPLOYEES CAN NOT BE IGNORED IN THE DEVELOPMENT OF A NEW SUPPLEMENTAL CIVIL SERVICE RETIREMENT SYSTEM.

THANK YOU FOR ASKING FEDERALLY EMPLOYED WOMEN TO TESTIFY BEFORE THE COMMITTEE TODAY. I WILL BE HAPPY TO ANSWER ANY QUESTIONS THE COMMITTEE HAS.

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